

Comments Template on DP-14-IMD Discussion Paper on Conflicts of Interest in direct and intermediated sales of insurance-based investment products (PRIIPs)		Deadline 22 July 2014 18:00 CET
Name of Company:	Polish Insurance Ombudsman	
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Reference	Comment	
General Comment		
Q1.	Typical conflict of interest encountered in Poland is in a situation where bank sells insurance – either as a stand-alone product or an added one – for example PPI. The conflict is most common if the insurance is sold as a group insurance. It means that a general agreement between the bank and insurer is concluded and the product itself is distributed to consumers without the need of transponding any provisions on insurance mediation. The cause of the conflict is the	

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	<p>indemnification that is received by the bank for “selling’ insurance and sometimes also because of the profit sharing clauses that are included in the general contract between bank and insurer but also other reasons – I would say that all the exaples listed in the discussion paper can be addressed to banks selling insurance in Poland. This is a very important problem because of the volume of sales of insurance (also unit-linked) through banks.</p> <p>This conflict of interest is also visible in other non-banking group insurance in Poland. For example in employment group insurance, where the conflict arises between the employer and the employees for whom the insurance is offered. The cause of the conflict is usually also pecuniary as for example for the transfer of insurance contract to another insurer, employer may receive benefits or money.</p> <p>Conflict of interest is rising with the hight of the commission paid.</p>	
Q2.	<p>Profit-sharing agreements are a big threat to decent sale of insurance. It mey lead to situations in which consumers will not be informed about their rights under insurance agreements and even may be encouraged to not claim any compensation from insurer for example may be informed that they can’t claim on the policy even though it is not true.</p>	
Q3.	No.	
Q4.	<p>The following conflict of interest have been identified in Poland:</p> <ul style="list-style-type: none"> - The distributor’s interest in the insurance contract - Intermediaries who fulfil functions for third parties - Selling insurance products in association with the supply of other products - Contingent commissions, profit shares, or volume over-riders 	

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	<ul style="list-style-type: none"> - Soft commissions - Remuneration linked to sales-volumes 	
Q5.	No. Basic structure of the Article 21 is clear and sufficient.	
Q6.	No. Basic structure of the Article 21 is clear and sufficient.	
Q7.	None.	
Q8.	No. This clarification is not needed as all the professionals and also supervision authorities will be able to access if the company manages conflicts of interests correctly. Also, the conflicts of interest should be avoided in the beginning not managed when they appear.	
Q9.	No. This clarification is not needed as all the professionals and also supervision authorities will be able to access if the company manages conflicts of interests correctly. Also, the conflicts of interest should be avoided in the beginning not managed when they appear.	
Q10.	In managing conflicts of interest a redress mechanism should be included.	
Q11.	A customer is not and will never be a professional with regards to investment products and this needs to be stressed. Giving too much information to the customer usually does not change this situation. Disclosure is usually made by producing additional documentation (at least that's how it is in Poland). The customer usually does not read this documentation and/or does not understand the wording and the effects of such a disclosure.	
Q12.	None.	
Q13.	The MiFID measures described in Art. 24-25 should be applied to selling all insurance investment products. However, we must be aware that in many cases, the investment research is not made by the seller. The seller only prepares documentation for the research that the customer signs. This documentation is actually in favour of the seller as he/she can always prove that the research had been made and blocks all the redress mechanisms for the consumer.	

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Q14.	<p>Giving the experience of the Polish Insurance Ombudsman we see that customers in Poland choose an investmet product based on the oral information given by the seller. This oral information is not always precise and identical to the information in the documents (terms and conditions of a contract, policy etc.). When it comes to redress there is usually no way to prove that the customer was told something differernt than is stated in the documentation. If the customer signs the papers, he has little rights to claim he was mislead by the seller. This oral information in many situations is crucial. Therefore, one of the ideas is to record such conversations at least when it comes to contracts of high premiums.</p> <p>Also, when it comes to the commission paid to sellers, the higher the commission is, the less protection customer gets and less investment research is made. One of the options that could be appreciated is paying the commission in installments (for each year of the investment contract a percentage of a commission is paid). Another option is to pay the commission in relation to the profit gained by the investment product, not only for the sale of such a product.</p>	
Q15.	None.	
Q16.	None.	
Q17.	None.	
Q18.	_____	